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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN GABRIEL WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Fontana Water Company Division By \$5,662,900 or 13.1% in July 2006, \$3,072,500 or 6.3% in July 2007, and \$2,196,000 or 4.2% in July 2008.

A.05-08-021
(Filed August 5, 2005)

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service, and Facilities of San Gabriel Valley Water Company (U 337 W).

I.06-03-001
(Filed March 2, 2006)

**NOTICE OF EX PARTE COMMUNICATION
OF THE CITY OF FONTANA, THE FONTANA UNIFIED SCHOOL DISTRICT, AND
THE DIVISION OF RATEPAYER ADVOCATES**

Pursuant to Rule 8.2 and 8.3 of the California Public Utilities Commission's Rules of Practice and Procedure, the City of Fontana ("the City"), the Fontana Unified School District ("School District"), and the Division of Ratepayer Advocates ("DRA"), hereby provide notice of an ex parte communication.

On Monday, April 9, 2007, Kendall H. MacVey, Counsel for the City of Fontana, Mark Nuaimi, Mayor of the City of Fontana, Kent Hunt, City Manager of the City of Fontana, Curtis Aaron, Director of Public Works for the City of Fontana, Marvin T. Sawyer, Counsel for the Fontana Unified School District, James Allen, Counsel for the Fontana Unified School District, Ray Charvez, DRA Project Manager, Danilo Sanchez, Manager for DRA Water, and Selina Shek, Counsel for DRA, met with Bob Lane, Chief of Staff and Laura Krannawitter, advisor to Commissioner John Bohn, at 2:30p.m. at the Commission's offices in San Francisco for approximately 90 minutes. Ms. Shek initiated the meeting.

During the meeting Mr. Sanchez provided copies of three tables. The first table addresses San Gabriel's representation of the overall revenue requirement increase. DRA made two modifications to San Gabriel's numbers that show an overall three-year increase in the revenue requirement of 15.1%. This more than doubles the impact reflected in San Gabriel's representation in its ex-parte with Commission advisors. The modifications excludes refunds of past over collections since this is not a permanent reduction in rates due to the delay in issuing the decision. Also the impact of the facilities fees on the revenue requirement must be set back by one year since they cannot be collected until the Commission adopts a final decision. The second table shows the foregone reduction in rates due to the delay in issuing the decision. The final table illustrates the average residential bill impact based on the 15.1% revenue requirement increase over a three-year periods.

The City, School District, and DRA ("the Parties") discussed the history and rationales for the Sandhill Project, existing water supply, and how exempting Sandhill from the rate base cap undermined the rationale for a cap in rate base.

The Parties pointed out that San Gabriel is spending \$26 million on Sandhill to increase capacity by 6 MGD, which the parties argued is very expensive since this supply will not be available for peak demand or base load in the summer when water is most needed in the Fontana District. Lytle Creek's water only runs in the winter and early spring months and thus will not serve peak demand.

Ms. Shek discussed that the advantages of the Proposed Decision (PD) over the Alternate Decision (AD), is its inclusion of Sandhill in the 10% rate base cap and how it leaves specific review for reasonableness and "used and usefulness" for the next general rate case.

Mr. Charvez stated that if Sandhill does not function as San Gabriel claims, the parties should be able to come back to the Commission for a review of Sandhill's costs and effectiveness.

Mr. MacVey argued that the commission should approve the PD because in that decision, the rate base cap is truly a cap – not one with exceptions.

Mayor Nuaimi stated the City of Fontana wants new infrastructure, but only if it is actually cost-effective and proven.

Mr. Allen reiterated Mr. MacVey's points about the rate base cap and stated that the AD fails to recognize the original purpose of the cap. Plus, the AD makes current customers pay for the future plant versus future customers.

Mr. MacVey reiterated the need for Commission review of post-2002 projects from the last general rate case.

The parties provided Mr. Lane and Ms. Krannawitter the tables Mr. Sanchez discussed.

The written materials involved in this communication are attached in this notice of ex parte communication.

Copies of this Notice can be obtained by calling or sending an e-mail to Sue Muniz at (415) 703-1858 (e-mail=sam@cpuc.ca.gov).

Respectfully submitted on behalf of,

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/s/ SELINA SHEK

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April 12, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **NOTICE OF EX PARTE COMMUNICATION OF THE CITY OF FONTANA, THE FONTANA UNIFIED SCHOOL DISTRICT, AND THE DIVISION OF RATEPAYER ADVOCATES** in **A.05-08-021/I.06-03-001** by using the following service:

☒ **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

☐ **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on April 12, 2007, at San Francisco, California.

/s/ JANET V. ALVIAR

Janet V. Alviar

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A.05-08-021/I.06-03-002

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